

## POLICY AND PROCEDURES FOR RESALE OF MPDUS

### 1. Resale of MPDU During Control Period

The following is the resale pricing policy for each MPDU being offered for sale during the ten-year control period, regardless of when the unit was initially offered for sale by the builder.

The resale price includes the initial acquisition price, plus an allowance for the increase in inflation from the date of the initial settlement on the acquisition of the unit through the date of the resale price determination, plus credit for allowable improvements. No credit will be given for permanent financing costs (loan discount points), buydowns, or improvements not included in the list of compensable improvements dated March 20, 1989. The increase permitted for inflation is based upon the Consumer Price Index for the Washington Metropolitan area (CPI-U).

An allowance for the payment of a real estate sales commission may be included if the owner can demonstrate that they were unsuccessful in selling their MPDU for a period of 60 days through the MPH office. The MPDU must have been listed in the resale book maintained by DHCA and advertised on the Department's MPDU telephone resale number and website. To include this expense in the resale pricing, the owner must obtain written permission from DHCA prior to signing a listing agreement with a real estate agent.

The following is an *example* of a calculation for a resale of a unit sold *within* the ten-year MPDU price and occupancy control period:

Initial Acquisition Price:	\$60,000
Increase in the CPI:	\$ 7,816
Improvements:	\$ 298
*Real Estate Commission:	
Base Resale Price:	\$68,114
Closing Cost Allowance:	<u>\$ 2,384</u>
Maximum Resale Price:	\$70,498

\*NOTE: To qualify for an add-on of the real estate broker's commission to the sales price an owner must demonstrate that he has been unsuccessful in conscientious efforts to sell the unit himself by listing the unit for sale in the MPH office for not less than sixty days.

### II. Resale After Expiration of the Ten-Year Control Period Where the Unit Was Initially Offered **Prior** to March 20, 1989.

After the expiration of the ten-year control period on a MPDU that was initially offered by the builder through the MPH Program before March 20, 1989, the unit may be sold without restriction on the resale price and with the entire profit going to the seller.

III. Resale After Expiration of the Ten-Year Control Period Where the Unit Was Initially Offered After March 20, 1989.

After the expiration of the ten-year control period on a MPDU that was initially offered by the builder through the MPH Program after March 20, 1989, Section 25-A9(c) of the Moderately Priced Housing Law continues to regulate the resale of the unit even after the price control period expires. This provision of the MPH Law requires that a portion of the profit on the first resale of the unit after the expiration of the ten-year price control period be paid to the Housing Initiative Fund for the purpose of providing low-and-moderate income units in the future. The examples below show how this payment is calculated.

The following three examples of resale price determinations on such units where the excess profits are (A) less than \$10,000, (B) between \$10,000 and \$20,000, or (C) over \$20,000.

	(A)	(B)	(C)
Initial Acquisition Price	\$60,000	\$60,000	\$60,000
Increase In CPI	27,000	27,000	27,000
Improvements	1,500	1,500	1,500
Real Estate Commission	6,000	6,480	7,200
½ of Transfer Tax & Recording Fee	<u>1,000</u>	<u>1,080</u>	<u>1,200</u>
Adjusted Base	\$95,500	\$96,060	\$96,900
Price Unit Sold For	\$100,000	\$108,000	\$120,000
Difference Between Adjusted And Actual Resale Price	4,500	11,940	23,100
Share of Excess Profit To Owner	4,500	10,000	11,550
*Share of Excess Profit To County	0	1,940	11,550

\*NOTE: Calculation of the County's share of the sale proceeds is based on the County receiving 50% of the total excess profit on the sale after an adjustment that will allow the seller to retain at least \$10,000 of the excess profit when such amount of excess profit exists.

